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SUBJECT: Airbus Turbulence Hits Belgian Suppliers

Ref: Brussels 309

¶1. (U) Summary. Belgian aviation contractors to Airbus expect a 10 to 15 percent reduction in sales this year, but claim that to date no supply contract has been cancelled despite the slowdown in Airbus A380 production. Protecting jobs is the principal objective for Belgian federal and regional governments. End Summary.

¶2. (U) Belgian aerotech corporations that supply Airbus report that the current production problems of the aircraft manufacturer are going to have an impact on them. The companies Sonaca (based in French-speaking Wallonia, ASCO and Eurair (based in Dutch-speaking Flanders) are grouped together under the umbrella of Belairbus. Claude Bollette, Director of Belairbus, admitted to Dep Econ Couns October 11 that the Belgian suppliers expect to register 10-15 percent lower sales in 2006 due to the A380 production problems. Although Airbus accounts for half of their business, the impact is softened by contracts with other companies, including Boeing. The delays in production will hurt revenue, said Bollette, but he stressed that Belairbus companies still will continue supplying Toulouse with parts, and officially no orders from Airbus have been cancelled. Nonetheless, the situation raises concerns in Belgium, where maintaining jobs has become a key priority of the coalition government that is facing a difficult national election in spring 2007.

¶3. (SBU) Belairbus is the association formed in 1979 that has coordinated with Airbus in R&D and production of aircraft. Belairbus receives Belgian state support for non-recurrent costs related to the development of Airbus models. Among Belairbus participants, ASCO supplies the leading edge (slats) of Airbus wings, and Sonaca and Eurair provide other wing and hydraulic system components. The Belgian companies expect to participate in development of the new A350 model the multinational producer intends to design in the near future, and anticipate supplying

parts for these aircraft too. (Note:
Belairbus has been criticized in the U.S.
National Trade Estimate Report for
inappropriate state subsidies regarding
development and production of Airbus craft.)
The expertise of Belgian aviation technology
suppliers is widely recognized.

¶4. (SBU) COMMENT: Unlike previous disputes
regarding Belgian co-production for Airbus,
the present concern is not divided along
linguistic (French/Flemish) lines. Earlier
in 2006, apportionment of Airbus contracts
between Flanders and Wallonia had regional
leaders squabbling (reftel). Given the
current news from Airbus, keeping jobs and
production anywhere in Belgium appears to be
the priority. End Comment.

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